

Summer/Fall 2002

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CALIFORNIA PARTNERSHIP NEWS

A PROGRAM OF THE CALIFORNIA DEPARTMENT OF HEALTH SERVICES

Visit our Web site at www.dhs.ca.gov/cpltc.

Marketing Materials Now Available!

Agents anxiously awaiting the Partnership's new marketing materials can now place their order for the two new brochures.

The first of these brochures, titled "Making Choices Today to Secure Tomorrow" addresses key long-term care issues for seniors. The second brochure, titled "The Balancing Act" was developed with the adult child in mind. It was designed to help them understand the long-term care issues their parents



are facing, as well as to get the adult child to think about this issue for themselves.

Both brochures include up-to-date long-term care facts and statistics, and lead the reader to take action in addressing their long-term care needs.

You can purchase additional copies by calling the Partnership office at (916) 323-4253 or through the Partnership's website.



**Message From
The Project Director**

Sandra Pierce-Miller

Clients Are Clearly the Priority!

As we announced with the mailing of our new brochures, this is the first time our Agent Newsletter is being distributed exclusively

through the Partnership's website. With the current budget environment in California, we are only making this Newsletter available via the Partnership's website as an effort to help reduce costs. We apologize for any inconvenience this might cause.

We hope you had a chance to attend one of the two continuing education seminars held in May. We received very positive comments from the attendees at both the Carson and Sacramento sessions. The seminars covered several

important topics designed to help you increase the level of service you are able to offer your clients. One of the topics covered was the mandatory care coordination benefit, which included a case study. The case study emphasized how this important benefit helps a claimant access needed care while also providing support to the family and other informal care givers. Additionally, it was highlighted that by taking into account not only what the policy will pay in benefits, but also all other formal and

See page 5, Director's Message



Medi-Cal Eligibility and Estate Recovery

Q: How does a Partnership policy change the status of a person's assets?

A: The benefits paid by a Partnership policy converts the status of an asset from nonexempt to exempt. For example, if a policy pays \$100,000 in benefits and a person has \$100,000 in a CD, the benefits paid converts the status of the CD from nonexempt to exempt. The CD then attains the same rights as any other exempt asset. For Estate Recovery purposes, the exempt/nonexempt labels are removed and all assets, less the benefits paid under a Partnership policy, are subject to recovery. Asset protection is used primarily to protect nonexempt assets, but may also protect your client's home and other exempt assets, from Estate Recovery.

Q: Twenty-one months before applying for institutional level of care from Medi-Cal, Mr. Peabody transfers a home worth \$250,000 plus \$250,000 in cash to his daughter. What would his period of ineligibility be, if any, for nursing facility level of care?

A: The transfer of nonexempt assets (trusts included) within 30 months of applying for institutional care may cause a period of ineligibility. Medi-Cal determines the maximum period of ineligibility by dividing the value of the non-exempt asset transfer (\$250,000 in cash) by the Average Private Pay Rate (APPR

- \$4,322 for 2002). The home is exempt and not subject to the look back period. Although this calculates to be 58 months, remember that the maximum period of ineligibility in California is 30 months. In this example, since the transfer is completed 21 months prior to the application for Medi-Cal, the 21st to the 30th months are counted. The period of ineligibility for institutional level of care is 10 months, during which time Mr. Peabody will need to pay for his care, but will be eligible for other Medi-Cal services.

A good rule of thumb to help you remember how to calculate the period of ineligibility is to always count the month the transfer took place through the 30th month. For example, if the transfer is done five months prior to the application for institutional level of care from Medi-Cal, you need to begin your calculation by counting the 5th month through the 30th month, inclusive, for a total of 26 months.

Q: Will an annuity be collected against upon the death of a person who has received Medi-Cal benefits?

A: Estate Recovery regulations are being developed, and when filed with the Office of the Secretary of State, the State of California will again collect against annuities. There will not be any allowance given to those individuals

who purchased their annuity before the regulations are finalized. An annuity will be subject to the same recovery rules as a home, cash, stocks, bonds, etc., for any person who has received Medi-Cal benefits and passes away after the date the regulations are filed.

Q: Does Medi-Cal make a special allowance for income for a person residing in a Residential Care Facility for the Elderly (RCFE)?

A: Medi-Cal does not pay for the room and board costs in an RCFE, but does pay for other medically necessary items. Room and board costs can subsequently apply towards meeting a person's Share of Cost (SOC). For example, if a person has a monthly income of \$2,500 and the room and board costs at the RCFE are \$2,500, a person has met their SOC for the month by paying for their room and board. Consequently, the individual would be eligible for any other Medi-Cal covered service.

For an additional explanation of how a SOC works, please refer to the agent side of the Partnership website, access the Newsletters & Agent/Long-Term Care Alerts link and select the January 2001 Agent/LTC Alert.

Share of Cost

Q Part 1: Mr. Brown resides in a nursing facility and has \$2,532 in income. Mrs. Brown resides in the community and has \$1,700 in income. Mr. Brown qualifies for Medi-Cal benefits to pay for his long-term care expenses. What is Mr. Brown's share of cost to the nursing facility?

Mrs. Brown's income, which is solely in her name, is not included. Due to the spousal impoverishment provi-

sions, Mr. Brown is able to allocate \$532 of his income to Mrs. Brown to bring her income up to the minimum maintenance monthly needs allowance (MMMNA) of \$2,232. This reduces his monthly income to \$2,000. After his \$35 personal needs allowance is deducted, Mr. Brown's share of cost is \$1,965.

Q Part 2: Now, let's assume Mr. Brown has an income of \$1,700 and Mrs. Brown's income is \$2,532. What

is Mr. Brown's share of cost in this case?

Since Mrs. Brown's income already exceeds the MMMNA of \$2,232, she does not receive any portion of Mr. Brown's income. Mr. Brown's monthly share of cost would be \$1,665, after the deduction of the \$35 allowance.

Medi-Cal Asset Protection Connection

During the agent seminars, Keith reviewed the basics of asset protection. Keith used the following case study to illustrate how the Medi-Cal asset protection provision works in conjunction with Medi-Cal eligibility and estate recovery rules.

Case Study #1

Mr. Peabody is single. He has an adult son, an adult daughter, and two grandchildren. Mr. Peabody owns the following:

\$300,000	home
\$50,000	CD
\$25,000	savings and checking
\$75,000	stocks/bonds
\$450,000	total assets

Mr. Peabody purchases a three-year Partnership policy in January 2000. Two years later, Mr. Peabody develops Alzheimer's and qualifies for policy benefits. Over a three and a half year period, the policy pays \$160,000 in benefits. However, Mr. Peabody requires additional care.

What determination would be made by Medi-Cal eligibility when Mr. Peabody applies for Medi-Cal benefits to continue paying his long-term care costs?

You already know that the principle residence is exempt in determining eligibility for Medi-Cal. The CD, saving and checking accounts, and stock/bonds are non-exempt assets and total \$150,000. Because Mr. Peabody's Partnership policy paid out \$160,000 in benefits for his care, the \$150,000 in non-exempt assets is changed to exempt asset status through the Medi-Cal asset protection feature. Medi-Cal eligibility is granted immediately and begins to pay for Mr. Peabody's care. Medi-Cal pays an additional \$200,000 in benefits for Mr. Peabody's care. His monthly income pays his share of cost.

The value of Mr. Peabody's estate is \$450,000 upon his death, including the value of his home, which is no longer exempt. What amount of his estate would be subject to Medi-Cal Estate Recovery?

\$450,000	value of estate
- \$160,000	Partnership policy benefits
\$290,000	net estate value

Estate Recovery will collect the lesser of the value of the estate or the amount of the claim. The estate recovery in this case would be \$200,000 (the

amount paid by Medi-Cal).

Now, let's say, Mr. Peabody transfers the home to his children before his death. (Remember that exempt assets can be transferred without any period of ineligibility, however, other factors such as tax consequences should be considered.) In this case, what amount of his estate would be subject to estate recovery?

\$150,000	value of estate
-\$160,000	Partnership policy benefits
\$ 0	net estate value

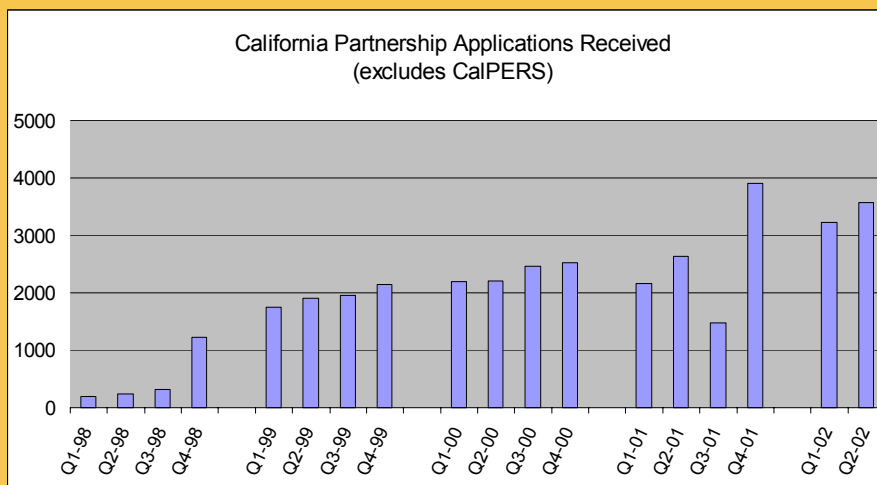
Mr. Peabody's estate has no remaining assets to recover against, therefore, the estate recovery collection is zero.

2001 Field Poll

To view the 2001 Field Poll, the third in a series designed to test consumer attitudes about long-term care, please visit the Partnership website at www.dhs.ca.gov/cpltc.

Sales Update & Profile of Buyer

Who is Buying Partnership Policies in the Second Quarter of 2002?



Visit our Web site at www.dhs.ca.gov/cpltc for 2002 sales statistics.

- The median age of the purchasers was **60**
- **59 %** were female
- **70 %** were married
- **99 %** bought comprehensive policies
- **94 %** were first-time purchasers
- **6 %** bought one-year policies
- **15 %** bought two-year policies
- **17 %** bought three-year policies
- **15 %** bought four-year policies
- **8 %** bought five-year policies
- **39 %** bought lifetime policies

Look At Us In Action!



Partnership staff, Brenda Bufford and Raul Moreno, welcome agents to the Carson seminar.



Agents register for four hours of continuing education credit.



Guest speaker, Assemblyman Carl Washington, addresses seminar attendees.



Sandy interviewing Lenore Shelley.



Sales strategies addressed by the Sacramento Marketing Roundtable panelists: Brian Roughton, Barbara Melson, Annemiek Storm, Steve Meurer and Joanna Cassesse.



These Continuing Education providers are approved by the Department of Insurance and the Department of Health Services. They all offer the training required by the Partnership.

The Partnership does not endorse any particular course. All courses must follow the outline developed by the Partnership. Please call the providers below for their list of scheduled classes or visit their websites for detailed information.

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Consumer Long-Term Care Summit Measures Success

The California Partnership for Long-Term Care, in conjunction with the California Association of Health Facilities (CAHF), recently held “A Long Term Care Planning Summit ... What You Need to Know to Protect Your Future”. The event was held Sunday, May 19th at the Hyatt Regency in Sacramento.

“CAHF and the Partnership have broken important new ground.”

~ Steve A. Moses, President of the Center for Long-Term Care Financing

The focus of the Summit was to gather consumer, employer and government attention on the need for individuals to plan for their long-term care. Panel discussions were held on “Long-Term

Care Financing ... Current Spending and Future Projections”, “The Impact on Families When a Loved-One Needs Care” and “Coverage Options from the State, Federal and Private Perspectives”. The panel featured such experts as, John

Cutler, Project Leader of the Federal Long-Term Care Offering; Eileen Tell, Vice President Product Development, LTCG, CalPERS; and Sandra Smoley, former Secretary of the California Health and Human Services Agency; Betsy Hite, Director of Public Affairs, CAHF; and Sandra

Pierce-Miller, Project Director of the California Partnership for Long-Term Care. The keynote speaker was actress June Lockhart.

The response to the summit was encouraging. As quoted from Steven A. Moses, President of the Center for Long-Term Care Financing, “CAHF [and the Partnership] have broken important new ground. Providers and insurers need to work together much more, and you’ve shown one very promising way that it can be done.” There will be a second will be held November 10th 2002 in Palm Springs at the CAHF annual conference.

Director’s Message (continued from page 1)

informal resources can significantly prolong policy benefits. This, of course, is extremely important to the purchaser of a less than lifetime Partnership policy. Care coordination is also a meaningful benefit to the purchasers of lifetime policies as it can help to limit consumers’ out of pocket expense. As many of you may remember in the Winter 2002 issue of the Partnership Newsletter, the Partnership profiled the case of Mildred Foreman, the first Partnership policyholder who exhausted benefits, qualified for Medi-Cal based on asset protection and went through the estate recovery process. During these seminars, we had the opportunity to hear first hand from Mildred’s daughter, Lenore Shelley, about how the Partnership policy benefited her mother. Lenore lead the audience through the process and providing some first hand insight. Coincidentally, Lenore is also an agent and the person who talked with her mother about purchasing a partnership policy.

Another popular session, as always, was Raul Moreno’s walk through of the Partnership’s website. Raul highlighted how users can learn who is purchasing Partnership policies and what kind of benefits seemed to be most valuable. He also stressed the importance of checking the website on a regular basis to keep abreast of any updates or changes regarding policy amounts, Medi-Cal, etc. While other sessions were held to introduce the new video concept and the two new brochures, providing information on the federal offering, etc., by far the most popular session was Keith Parsley’s presentation of case histories emphasizing how the Partnership’s asset protection worked in conjunction with Medi-

Cal rules. For this reason, we are dedicating most of this newsletter to Medi-Cal and Asset Protection with a detailed case history and multiple Q&A’s. For those of you who were able to attend, we hope this topic was meaningful and helped to further your knowledge. For those of you who were not, we hope this information will help advance your knowledge as well. Please let us know if there are other topics you would like us to include in our agent alerts, newsletters, or make available on the website. Thank you again for your support and interest in providing high quality long-term care insurance protection to California consumers.

ANY QUESTIONS?

The Partnership welcomes questions from agents. If you have specific questions about CPLTC policies or are seeking information on topics related to long-term care and long-term care insurance, we’re happy to help you. Please call the Partnership office at (916) 323-4253.

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To be removed from our mailing list, please e-mail your request to cpltcas@dhs.ca.gov or call the Partnership at (916) 323-4253.

In Brief...

FEDERAL LEGISLATION

HR 4946 -- This bill was introduced by J.D. Hayworth of Arizona in June 2002. It would amend the Internal Revenue Code to permit a deduction for eligible LTC premiums for a taxpayer, their spouse, or dependents and sets the allowable deduction amounts. There is no deduction allowed if the employer pays 50% or more of the cost. There is no requirement to itemize to receive this deduction. This bill also allows an additional personal exemption for each spouse or dependent with LTC needs living in the taxpayer's home. This bill was referred to the Senate Committee on Finance in July 2002.

S 2199 -- Introduced by Larry Craig of Idaho in April 2002, this bill would amend Title XIX of the Social Security Act to permit additional states to enter into long-term care partnerships under the Medicaid Program in order to promote the use of long-term care insurance. As of April 2002, this bill is still in the Senate Committee on Finance.

Fiscal Year 2003 Budget -- According to the HIAA Reporter (June/July 2002), President Bush has set aside \$24 billion for long-term care tax relief. According to a recent AARP Federal Budget Update, the budget proposes to help those with long-term care needs; by providing 1) an above the line tax deduction for long term care insurance premiums; and 2) an additional personal exemption to home care-takers of certain family members.

CALIFORNIA LEGISLATION

SB 1613 -- This bill, introduced by Joseph Dunn in February 2002, is a technical cleanup measure (to SB 898 - Chapter 812, Statutes of 2002), that makes it clear that insurers may continue to file their group and individual long-term care forms with the Department of Insurance (DOI) after January 1, 2003. This will allow the DOI to continue to regulate these policies and their representations to the public after this date. This bill was sent to the Governor on August 31, 2002.

AB 2517 -- This bill was introduced by Wilma Chan in February 2002. It defines 'estate planning services' and 'financial products.' Long-term care insurance is included in the definition of financial products. The bill also sets marketing and disclosure standards for these services and products. Finally, it sets substantial penalties for violating the standards. The author's intent is to curtail and eliminate the unlawful, deceptive and unfair practices associated with 'living trust mills' and estate planning services. This bill was referred to the Assembly Judiciary Committee on March 7, 2002. We understand from the author's office that this bill will not be pursued.

AB 1908 -- This bill was introduced by Ms. Rebecca Cohn in February 2002. Current law requires public employees to pay the full cost of premiums for the CalPERS long-term care program. This bill eliminates that requirement and was sent to the Governor on August 27, 2002.